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EXTRAORDINARY

PART II—Section 2

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LOK SABHA

The following Bill was introduced in Lok Sabha on the 4th March, 1959:—

*BILL No. 15 OF 1959

a bill to provide for the formation of certain Government or Government-associated banks as subsidiaries of the State Bank of India and for the constitution, management and control of the subsidiary banks so formed, and for matters connected therewith, or incidental thereto.

BE it enacted by Parliament in the Tenth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. This Act may be called the State Bank of India (Subsidiary Banks) Act, 1959. Short title.

2. In this Act, unless the context otherwise requires,— Definitions.

(*a*) "appointed day" means,—

(*i*) in relation to an existing bank, the date on which the corresponding new bank is constituted under section 3;

(*ii*) in relation to a new bank, the date on which that new bank is constituted under section 3;

(*iii*) in relation to the Hyderabad Bank, the date on which the amendments to the State Bank of Hyderabad Act, 1956, take effect under Part VII of the Third Schedule; 79 of 1956.

*The President has, in pursuance of clauses (1) and (3) of article 117 and clause (1) of article 274 of the Constitution of India, recommended to Lok Sabha the introduction and consideration of the Bill.

(*iv*) in relation to the Saurashtra Bank, the date on which the amendments to the Saurashtra State Banks (Amalgamation) Ordinance, 1950, take effect under Part V of the Third Schedule; 10 of 1950.

(*b*) "corresponding bank" means,—

(*i*) in relation to the State Bank of Bikaner, the Bank of Bikaner, Limited;

(*ii*) in relation to the State Bank of Indore, the Bank of Indore, Limited;

(*iii*) in relation to the State Bank of Jaipur, the Bank of Jaipur, Limited;

(*iv*) in relation to the State Bank of Mysore, the Bank of Mysore, Limited;

(*v*) in relation to the State Bank of Patiala, the Bank of Patiala;

(*vi*) in relation to the State Bank of Travancore, the Travancore Bank, Limited;

(*c*) "corresponding new bank" means,—

(*i*) in relation to the Bank of Bikaner, Limited, the State Bank of Bikaner;

(*ii*) in relation to the Bank of Indore, Limited, the State Bank of Indore;

(*iii*) in relation to the Bank of Jaipur, Limited, the State Bank of Jaipur;

(*iv*) in relation to the Bank of Mysore, Limited, the State Bank of Mysore;

(*v*) in relation to the Bank of Patiala, the State Bank of Patiala;

(*vi*) in relation to the Travancore Bank, Limited, the State Bank of Travancore;

(*d*) "existing bank" means any of the following banks, namely:—

(*i*) Bank of Bikaner, Limited;

(*ii*) Bank of Indore, Limited;

(*iii*) Bank of Jaipur, Limited;

(*iv*) Bank of Mysore, Limited;

(*v*) Bank of Patiala;

(*vi*) Travancore Bank, Limited;

(*e*) "Hyderabad Bank" means the Hyderabad State Bank constituted under the Hyderabad State Bank Act, 1350F, and renamed the State Bank of Hyderabad under sub-section (*1*) of section 3 of the State Bank of Hyderabad Act, 1956;

79 of 1956.

(*f*) "new bank" means any of the banks constituted under section 3;

(*g*) "prescribed" means prescribed by regulations made under this Act;

(*h*) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934;

2 of 1934.

(*i*) "Saurashtra Bank" means the State Bank of Saurashtra constituted under the Saurashtra State Banks (Amalgamation) Ordinance, 1950;

10 of 1950.

(*j*) "State Bank" means the State Bank of India constituted under the State Bank of India Act, 1955;

23 of 1955.

(*k*) "subsidiary bank" means any new bank and includes the Hyderabad Bank and the Saurashtra Bank;

(*l*) "Tribunal" means the Tribunal constituted under section 15.

CHAPTER II

CONSTITUTION OF NEW BANKS

Establishment of new banks.

3. With effect from such date as the Central Government may, by notification in the Official Gazette, specify in this behalf, there shall be constituted the following new banks, namely:—

(*a*) the State Bank of Bikaner;

(*b*) the State Bank of Indore;

(*c*) the State Bank of Jaipur;

(*d*) the State Bank of Mysore;

(*e*) the State Bank of Patiala;

(*f*) the State Bank of Travancore;

and different dates may be specified for different new banks.

New banks to be bodies corporate.

4. (*1*) Every new bank shall be a body corporate with perpetual succession and a common seal and shall sue and be sued in its name.

(*2*) The body corporate constituting each of the new banks shall consist of the State Bank and other shareholders, if any, for the time being of the new bank.

(*3*) Every new bank shall carry on the business of banking and other business in accordance with the provisions of this Act, and shall have power to acquire and hold property, whether movable or immovable, for the purposes of its business and to dispose of the same.

Head office and branches of new banks.

5. (*1*) The head office of each of the new banks shall be at such place as the Central Government may, by notification in the Official Gazette, from time to time, specify.

(*2*) Every new bank shall maintain as its branches all branches of the corresponding bank in existence immediately before the appointed day, and shall not establish any new branch or discontinue any branch except in consultation with the State Bank and with the approval of the Reserve Bank.

Authorised capital of new banks.

6. (*1*) Subject to the provisions of this Act, the authorised capital of the State Bank of Mysore and the State Bank of Travancore shall be rupees two crores each, and the authorised capital of every other new bank shall be rupees one crore.

(*2*) The authorised capital of every new bank shall be divided into shares of one hundred rupees each.

(*3*) Notwithstanding anything contained in this section, the State Bank may, with the approval of the Reserve Bank, authorise a new bank to increase or reduce its authorised capital:

Provided that where the authorised capital is so increased, the shares issued shall be of the denomination specified in sub-section (*2*).

Issued capital of new banks.

7. (*1*) On the appointed day, the issued capital of a new bank shall consist of such amount, divided into fully paid-up shares of hundred rupees each, as the State Bank may, with the approval of the Reserve Bank, fix.

(*2*) All shares in the issued capital of a new bank shall, on the appointed day, stand allotted to the State Bank.

(*3*) The State Bank shall, as soon as may be, after the determination, if any, by the Tribunal, of the amount of compensation payable in respect of an existing bank, consider whether any increase in, or reduction of, the issued capital of the corresponding new bank as

fixed under sub-section (*1*), by way of adjustment, or transfer from, or to, the reserves of such bank, or in any other manner, is necessary or expedient and may, thereafter with the approval of the Reserve Bank, direct that bank to increase or reduce its issued capital.

(*4*) Without prejudice to the provisions contained in sub-section (*3*), a new bank may, with the approval of the State Bank and the Reserve Bank, increase from time to time, its issued capital and the capital so increased shall consist of fully paid-up shares to be issued in such manner as the State Bank may, with the approval of the Reserve Bank, direct.

(*5*) No increase or reduction in the issued capital of a new bank shall be made in such a manner that the State Bank holds at any time less than fifty-five per cent. of the issued capital of that bank.

Reserve fund of the new banks.

8. (*1*) Every new bank shall establish a reserve fund which, subject to the provisions of sub-section (*3*) of section 7 and of sub-section (*2*) of this section, shall—

(*a*) on the appointed day, consist of such sum as the State Bank, with the approval of the Reserve Bank, may determine; and

(*b*) after the appointed day, consist of the sum aforesaid together with such further sums as may be transferred to the reserve fund by the new bank out of its annual net profits before declaring a dividend.

(*2*) The State Bank shall, as soon as may be after the determination, if any, of the amount of compensation by the Tribunal, in respect of an existing bank, consider whether any increase in, or reduction of, the reserve fund of the corresponding new bank, by way of adjustment, by transfer from, or to, any account, or towards provision for bad and doubtful debts, depreciation of any assets or contingencies, or for any other purpose, is necessary, and may, thereafter, with the approval of the Reserve Bank, direct that bank to so increase or reduce its reserve fund.

Transfer of shares of existing banks to State Bank.

9. On the constitution of a new bank, all shares in the capital of the corresponding bank, where such corresponding bank has a share capital, shall stand transferred to, and shall vest in, the State Bank, free of all trusts, liabilities and encumbrances.

Transfer of undertaking of existing banks to new banks.

10. (*1*) Subject to the other provisions contained in this Act, when a new bank is constituted, the undertaking of the corresponding bank shall stand transferred to, and vest in the new bank.

(2) The undertaking of the corresponding bank referred to in sub-section (1) shall be deemed to include all rights, powers, authorities and privileges and all property, movable and immovable, including cash balances, reserve funds, investments and all other interests and rights in, or arising out of, such property and all books, accounts and documents relating thereto as may be in the possession of that bank immediately before the appointed day, and shall also be deemed to include all debts, liabilities and obligations of whatever kind, then existing of that bank.

(3) Without prejudice to the other provisions contained in this Act, all contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature, subsisting or having effect immediately before the appointed day and to which any existing bank is a party, or which are in favour of that bank, shall be of full force and effect against or in favour of the corresponding new bank, as the case may be, and may be enforced or acted upon as fully and effectually as if instead of the existing bank the corresponding new bank had been a party thereto or as if they had been issued in favour of the corresponding new bank.

(4) If, on the appointed day, any suit, appeal or other legal proceeding of whatever nature by or against an existing bank is pending, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of transfer to the corresponding new bank of the undertaking of the existing bank, or of anything contained in this Act, but the suit, appeal or other proceeding may be continued, prosecuted and enforced by or against the corresponding new bank.

Transfer of services of employees of existing banks.

11. (1) Save as otherwise provided in this Act, every employee of an existing bank in the employment of that bank immediately before the appointed day, shall, on and from that day, become an employee of the corresponding new bank and shall hold his office or service therein by the same tenure, at the same remuneration and upon the same terms and conditions and with the same rights and privileges as to pension, gratuity and other matters as he would have held the same on the appointed day, if the undertaking of the existing bank had not been transferred to and vested in the corresponding new bank, and shall continue to do so unless and until his employment in that bank is terminated or until his remuneration or other terms and conditions of service are revised or altered by the corresponding new bank under, or in pursuance of, any law, or in accordance with any provision which, for the time being, governs his service:

Provided that nothing contained in this sub-section shall apply to an employee of the Bank of Patiala who holds a civil post under the State of Punjab unless, prior to the appointed day, he has intimated his consent to become an employee of the State Bank of Patiala by notice in writing, given to the Government of that State through the Bank of Patiala.

(2) Any person who, on the appointed day, is entitled to, or is in receipt of, a pension or other superannuation or compassionate allowance or other benefit from an existing bank or from any provident, pension or other fund or from any authority administering such fund, shall be entitled to be paid by, and to receive from the corresponding new bank or any provident, pension or other fund or from any authority administering such fund, the same pension, allowance or benefit, so long as he observes the conditions on which the pension, allowance or benefit was granted, and if any question arises whether he has so observed such conditions, the question shall be determined by the State Bank and its decision thereon shall be final.

(3) For the persons who immediately before the appointed day are the trustees of, or the members of any authority administering, any fund constituted for the benefit of the employees of an existing bank, there shall be substituted as trustees or members such persons as the State Bank may, by general or special order, specify.

(4) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or any other law or in any agreement for the time being in force, the transfer from an existing bank of the services of any officer or employee of that bank to the corresponding new bank in terms of this section shall not entitle any such officer or employee, to any compensation to which he would, but for this provision, have been entitled under any such law or agreement, and no claim in respect of such compensation shall be entertained by any court, tribunal or other authority.

14 of 1947.

Special provisions for transfer of foreign assets.

12. (1) If, according to the laws of any country outside India, the provisions of this Act by themselves are not effective to transfer or vest any asset or liability situated in that country which forms part of the undertaking of an existing bank to, or in, the corresponding new bank, the affairs of the existing bank in relation to such asset or liability shall, on and from the appointed day, stand entrusted to the General Manager for the time being of the corresponding new bank, and the General Manager may exercise all powers and do all such acts and things as are exercised or done by the existing bank for the purpose of effectively winding up the affairs of that bank.

(2) The General Manager of the corresponding new bank shall, in exercise of the powers conferred on him by sub-section (1), take all such steps as may be required by the laws of any such country outside India for the purpose of effecting such transfer or vesting, and in connection therewith the General Manager may either himself or through any person authorised by him in this behalf, realise any asset and discharge any liability of the existing bank and transfer the net proceeds thereof to the corresponding new bank.

(3) Notwithstanding anything contained in sub-section (1) or sub-section (2), on and from the appointed day, no person shall make any claim or demand or take any proceeding in India against any existing bank or any person acting in its name or on its behalf except in so far as may be necessary for enforcing the provisions of this section or except in so far as it relates to any offence committed by such person.

CHAPTER III

COMPENSATION

Compensation to shareholders of existing banks other than the Bank of Patiala.

13. (1) Every person who and any State Government which immediately before the appointed day is registered as a holder of shares in the books of an existing bank shall be given by the State Bank such compensation in respect of the transfer to the State Bank of the shares in the capital of that bank as is determined in accordance with the principles contained in the First Schedule.

(2) The amount of compensation to be given in accordance with the principles contained in the First Schedule shall be determined in the first instance by the State Bank, in consultation with the Reserve Bank, and shall be offered by it to all those to whom compensation is payable under sub-section (1) in full satisfaction thereof.

(3) If the amount of compensation offered by the State Bank in terms of sub-section (2) is not acceptable to any shareholder of an existing bank, such shareholder may, before such date as may be notified by the Central Government in the Official Gazette, request the Central Government, in writing, to have the matter referred to the Tribunal.

(4) If, before the date notified under sub-section (3), the Central Government receives requests, in terms of that sub-section, from not less than one-fourth in number of the shareholders, holding not less than one-third in value of the paid-up share capital of the existing bank, the Central Government shall have the matter referred to the Tribunal for decision.

(5) If, before the date notified under sub-section (3), the Central Government does not receive requests as provided in that sub-section, the amount of compensation offered by the State Bank, and where a reference has been made to the Tribunal, the amount determined by it, shall be the compensation payable under sub-section (1) and shall be final and binding on all parties concerned.

(6) Subject to the provisions of the succeeding sub-sections, the amount of compensation shall be paid,—

(a) if the shareholder has not applied for shares of the corresponding new bank in accordance with the provisions of sub-section (7), by a cheque drawn on the State Bank; and

(b) if he has applied for shares of the corresponding new bank in accordance with the provisions of that sub-section, in shares of the corresponding new bank to the extent of the value of such shares allotted to him and the balance by a cheque drawn on the State Bank.

(7) Any shareholder of an existing bank to whom compensation is payable under this section may, before the expiry of three months from the date of the final determination of the amount of such compensation under sub-section (5), apply to the State Bank for the transfer to him of shares in the capital of the corresponding new bank in lieu of such compensation or part thereof; and for the purposes of such transfer, the value of each share of the corresponding new bank shall be such as may be determined in this behalf by the State Bank with the approval of the Reserve Bank.

(8) On receipt of an application under sub-section (7), the State Bank shall issue to the corresponding new bank a warrant, in the form specified in the rules made under this Act, directing it to transfer in favour of the person specified in the warrant such number of shares as may be allotted to the applicant in accordance with sub-sections (9) and (10), out of the shares in the capital of that bank standing allotted to the State Bank under the provisions of this Act, and the corresponding new bank shall be bound to comply with such warrant.

(9) A shareholder of an existing bank who has applied for shares in the capital of the corresponding new bank shall be allotted—

(a) such number of shares, having such total face value as would bear to forty-five per cent. of the issued capital of the corresponding new bank the same proportion as the paid-up value of his shares in the capital of the existing bank in respect of which he is paid compensation bears to the total paid-up capital of that bank; and

(*b*) if the total number of shares allotted under clause (*a*) to all applicants is less than forty-five per cent. of the issued capital of the corresponding new bank, such number of additional shares as the State Bank may deem fit having regard to the provisions of this Act, the circumstances of the case and the desirability of securing as wide a distribution of shares among as large a number of shareholders as possible.

(*10*) Notwithstanding anything contained in sub-section (*9*), an allotment of shares under that sub-section shall not be made in such a manner that the State Bank holds at any time less than fifty-five per cent. of the issued capital of the corresponding new bank.

(*11*) A warrant issued by the State Bank under sub-section (*8*) shall not be liable to duty under the Indian Stamp Act, 1899. 2 of 1899.

(*12*) Nothing contained in this section shall affect the rights *inter se* between the holder of any share in an existing bank, and any other person who may have an interest in such share and such other person shall be entitled to enforce his interest against the compensation awarded to the holder of such share, but not against the State Bank.

(*13*) In this section, the expression "existing bank" does not include the Bank of Patiala, and the expression "corresponding new bank" does not include the State Bank of Patiala.

Compensation payable by the State Bank in respect of the Bank of Patiala, the Saurashtra Bank and the Hyderabad Bank.

14. (*1*) The State Government of Punjab in respect of the Bank of Patiala, the State Government of Bombay in respect of the Saurashtra Bank and the Reserve Bank in respect of the Hyderabad Bank, shall be given, by reason of the provisions of this Act or of the amendments contained in Part V or Part VII of the Third Schedule, such compensation by the State Bank as is determined in accordance with the principles contained in the First Schedule.

(*2*) The amount of compensation to be given in accordance with the principles contained in the First Schedule shall be determined in the first instance by the State Bank, and shall be offered by it to the State Government of Punjab, the State Government of Bombay, or the Reserve Bank, as the case may be, in full satisfaction of the compensation payable under sub-section (*1*).

(*3*) If the amount of compensation offered by the State Bank in terms of sub-section (*2*) is not acceptable to the State Government of Punjab, the State Government of Bombay or the Reserve Bank, as the case may be, the State Government concerned or the Reserve Bank, may, before such date as may be notified by the Central Gov-

ernment in the Official Gazette, request the Central Government to have the matter referred to the Tribunal for decision, and where any such request is received, the Central Government shall refer the matter accordingly.

(*4*) If, before the date notified under sub-section (*3*), the State Government of Punjab, the State Government of Bombay or the Reserve Bank, as the case may be, has not made any such request, the amount of compensation offered by the State Bank, and where a reference has been made to the Tribunal, the amount determined by it, shall be the compensation payable under sub-section (*1*) and shall be final and binding on all parties concerned.

(*5*) The amount of compensation shall be paid by a cheque drawn on the Reserve Bank.

Constitution of the Tribunal.

15. (*1*) The Central Government may for the purpose of this Act constitute a Tribunal which shall consist of a chairman and two other members.

(*2*) The Chairman shall be a person who is, or has been, a Judge of a High Court or has been a Judge of the Supreme Court and of the two other members, one shall be a person, who, in the opinion of the Central Government, has had experience of commercial banking and the other shall be a person who is a chartered accountant within the meaning of the Chartered Accountants Act, 1949.

38 of 1949.

(*3*) If, for any reason, a vacancy occurs in the office of the Chairman or any other member of the Tribunal, the Central Government shall fill the vacancy by appointing another person thereto in accordance with the provisions of sub-section (*2*), and any proceeding may be continued before the Tribunal so re-constituted from the stage at which the vacancy occurred.

(*4*) The Tribunal may, for the purpose of determining any compensation payable under this Act, choose one or more persons possessing special knowledge of any relevant matter to assist it in the determination of such compensation.

Tribunal to have powers of a civil court.

16. (*1*) The Tribunal shall have the powers of a civil court while trying a suit under the Code of Civil Procedure, 1908, in respect of the following matters, namely:—

5 of 1908.

(*a*) summoning and enforcing the attendance of any person and examining him on oath;

(*b*) requiring the discovery and production of documents;

(*c*) receiving evidence on affidavits; and

(*d*) issuing commissions for the examination of witnesses or documents.

(2) Notwithstanding anything contained in sub-section (1) or in any other law for the time being in force, the Tribunal shall not compel the Reserve Bank, the State Bank or any subsidiary bank—

(a) to produce any books of account or other documents which the Reserve Bank, the State Bank or the subsidiary bank claims to be of a confidential nature;

(b) to make any such books or documents part of the record of the proceedings before the Tribunal; or

(c) to give inspection of any such books or documents to any party before it or to any other person.

Procedure of the Tribunal.

17. (1) The Tribunal shall have power to regulate its own procedure.

(2) The Tribunal may hold the whole or any part of its enquiry *in camera*.

(3) Any clerical or arithmetical mistake in any order of the Tribunal or any error arising therein from any accidental slip or omission may at any time be corrected by the Tribunal either of its own motion or on the application of any of the parties.

CHAPTER IV

SHARES OF THE SUBSIDIARY BANKS

Transferability of shares.

18. (1) Save as otherwise provided in sub-section (2), the shares of a subsidiary bank shall be freely transferable.

(2) Nothing contained in sub-section (1) shall entitle the State Bank to transfer any shares held by it in any subsidiary bank if such transfer will result in reducing the shares held by it to less than fifty-five per cent. of the issued capital of that subsidiary bank .

Restriction on individual holdings.

19. (1) No person shall be registered as a shareholder in respect of any shares in a subsidiary bank held by him, whether in his own name or jointly with any other person, in excess of two hundred shares, or be entitled to payment of any dividend on the excess shares held by him, or to exercise any of the rights of a shareholder in respect of such excess shares otherwise than for the purpose of selling them:

Provided that nothing contained in this sub-section shall apply to—

(a) the State Bank;

(b) a State Government;

4 of 1938.

(*c*) a Corporation;

(*d*) an insurer as defined in the Insurance Act, 1938;

(*e*) a local authority;

(*f*) a co-operative society; and

(*g*) a trustee of a public or private religious or charitable trust.

(*2*) Notwithstanding anything contained in sub-section (*1*), no person referred to in the proviso to that sub-section, other than the State Bank, shall be entitled to exercise voting rights in respect of any shares held by such person in excess of five per cent. of the issued capital of the subsidiary bank concerned.

Shares to be approved securities.

20. Notwithstanding anything contained in the Acts hereinafter mentioned in this section, the shares of a subsidiary bank shall be deemed to be included among the securities enumerated in section 20 of the Indian Trusts Act, 1882; and also to be approved securities for the purposes of the Insurance Act, 1938, and the Banking Companies Act, 1949.

2 of 1882.
4 of 1938.
10 of 1949.

Register of shareholders.

21. Every subsidiary bank shall keep at its head office a register, in one or more books, of the shareholders and shall enter therein the following particulars so far as they may be available:—

(*i*) the names, addresses and occupations, if any, of the shareholders and a statement of the shares held by each shareholder, distinguishing each share by its denoting number;

(*ii*) the date on which each person is so entered as a shareholder;

(*iii*) the date on which any person ceases to be a shareholder; and

(*iv*) such other particulars as may be prescribed.

Trusts not to be entered on the register.

22. Notwithstanding anything contained in section 19, no notice of any trust, express, implied or constructive, shall be entered on the register of shareholders of a subsidiary bank or be receivable by it in respect of its shares.

CHAPTER V

MANAGEMENT OF SUBSIDIARY BANKS

Certain officers to vacate office.

23. Every person holding office as chairman, director, member of the Board of Management, managing director, general manager, manager (other than manager of a branch), deputy managing director, deputy general manager or assistant general manager as the case may be, in an existing bank (other than the Bank of Patiala,

the Hyderabad Bank and the Saurashtra Bank) immediately before the appointed day, shall be deemed to have vacated that office on the appointed day, and notwithstanding anything contained in this Act or in any other law for the time being in force or in any agreement or contract, such person shall not be entitled to any compensation for the loss of office or for the premature termination of any agreement or contract relating to his employment, except such pension, compensation or other benefit as the corresponding new bank, the Hyderabad Bank or the Saurashtra Bank, as the case may be, may with the approval of the State Bank, grant to him, having regard to what he would have received if this Act had not been passed and if his employment had ceased on the appointed day in the ordinary course:

Provided that nothing in this section shall be deemed to prevent any person who has so vacated his office in any of the said banks from being re-nominated or re-appointed to any office in a subsidiary bank in accordance with the provisions of this Act.

Management.

24. (*1*) The State Bank may, from time to time, give directions and instructions to a subsidiary bank in regard to any of its affairs and business, and that bank shall be bound to comply with the directions and instructions so given.

(*2*) Subject to any such directions and instructions, the general superintendence and conduct of the affairs and business of a subsidiary bank shall, as from the appointed day, vest in a Board of Directors who may, with the assistance of the general manager, exercise all powers and do all such acts and things as may be exercised or done by that bank.

(*3*) The Board of directors of a subsidiary bank shall, in discharging its functions under this Act, act on business principles, regard being had to public interest.

Composition of the Board of Directors.

25. (*1*) Subject to the provisions of sub-section (*2*), the Board of Directors of a subsidiary bank shall consist of the following:—

(*a*) the chairman for the time being of the State Bank, *ex officio;*

(*b*) an officer of the Reserve Bank, to be nominated by that bank;

(*c*) not more than five directors to be nominated by the State Bank of whom not more than three shall be officers of that bank; and

(*d*) two directors to be elected in the prescribed manner by the shareholders, other than the State Bank:

Provided that if the total amount of the holdings of all such shareholders registered in the books of the subsidiary bank three months before the date fixed for election is below five per cent. of the total issued capital, or if there are no shareholders other than the State Bank registered on the books of the subsidiary bank, the directors to be elected by the shareholders shall be nominated by the State Bank and such directors shall, for the purposes of this Act, be deemed to be directors elected under this clause.

(*2*) Notwithstanding anything contained in clause (*d*) of sub-section (*1*), on the first constitution of the Board of Directors, the directors referred to in the said clause shall be appointed by the State Bank and the directors so appointed shall, for the purposes of this Act, be deemed to have been elected within the meaning of the said clause.

(*3*) If, for any reason, a director of a subsidiary bank nominated under clause (*b*) of sub-section (*1*) is unable to exercise his functions or to discharge his duties as such director, the Reserve Bank may nominate any of its officers to exercise all the functions and to discharge all the duties of such director whenever he is so unable to exercise his functions or discharge his duties, and the officer so nominated shall for all purposes of this Act be deemed to be a director of the subsidiary bank.

(*4*) An officer of the Reserve Bank or the State Bank may be nominated as a director of a subsidiary bank by virtue of his office.

(*5*) The directors nominated under sub-section (*2*) shall retire at the expiry of two years after the appointed day.

(*6*) Any nomination or appointment of a director made by the State Bank under this Act shall, except in so far as it relates to an officer of that bank, be in consultation with the Reserve Bank.

Term of office of directors.

26. (*1*) A director of a subsidiary bank, if nominated under clause (*b*) of sub-section (*1*) of section 25 or if an officer of the State Bank and nominated under clause (*c*) of that sub-section, shall hold office during the pleasure of the authority nominating him.

(*2*) Subject to the provisions contained in section 25, a director nominated under clause (*c*) of sub-section (*1*) of that section and not being an officer of the State Bank, and a director elected under clause (*d*) of that sub-section, shall hold office for three years; and thereafter until his successor is duly nominated or elected, as the case may be.

(3) A director of a subsidiary bank vacating his office shall be eligible for re-nomination or re-election, as the case may be.

Disqualification for directorship.

27. (1) A person shall be disqualified to be a director of a subsidiary bank, if—

(a) he holds the office of director, provisional director, promoter, agent, or manager of any banking company or a banking company for the formation of which a prospectus has been issued; or

(b) he is a salaried officer of Government; or

(c) he has been removed or dismissed from the service of Government; or

(d) he holds any office of profit under the subsidiary bank; or

(e) he is, or at any time has been, adjudicated an insolvent or has suspended payment of his debts or has compounded with his creditors; or

(f) he is declared a lunatic or becomes of unsound mind; or

(g) he is, or has been, convicted of any offence which, in the opinion of the State Bank, involves moral turpitude; or

(h) in the case of an elected director, he is not registered as a holder in his own right of unencumbered shares in the subsidiary bank of a nominal value of at least one thousand rupees:

Provided that in the case of a director deemed to have been elected on the first constitution of the Board of Directors, the disqualification mentioned in clause (h) shall not operate for a period of six months from his becoming such director.

(2) No two persons who are partners of the same firm or are directors of the same private company or one of whom is an agent of the other or holds a power of attorney from a firm of which the other is a partner may be directors of a subsidiary bank at the same time.

(3) The nomination or election, as a director of any person who is a member of either House of Parliament or the Legislature of a State shall be void unless within two months of the date of nomination or election as such director, he ceases to be a member of Parliament or the Legislature of the State, and if any director is elected or nominated as a member of Parliament or the Legislature of a State, he shall cease to be a director as from the date of such election or nomination, as the case may be.

(4) Nothing contained in clause (d) of sub-section (1) shall be deemed to preclude any person from being a director of a subsidiary bank by reason only of his being a legal or technical adviser of that bank.

(5) In this section,—

(a) "banking company" has the same meaning as in the Banking Companies Act, 1949; 10 of 1949.

(b) "manager" means the chief executive officer, by whatever name called, of a banking company;

(c) "private company" has the same meaning as in the Companies Act, 1956. 1 of 1956.

Vacation of office of directors.

28. If a director of a subsidiary bank—

(a) becomes subject to any of the disqualifications mentioned in section 27; or

(b) resigns his office by giving notice in writing under his hand, in the case of a nominated director to the State Bank, and in the case of an elected director to the Board of Directors of the subsidiary bank, and his resignation is accepted; or

(c) is absent without leave of the Board of Directors for more than three consecutive meetings thereof;

his seat on the Board of Directors shall thereupon become vacant:

Provided that nothing in clause (b) or clause (c) shall apply to a director referred to in clause (b) of sub-section (1) of section 25 or to a director, being an officer of the State Bank, nominated under clause (c) of that sub-section.

General Manager.

29. (1) The State Bank shall, with the approval of the Reserve Bank, appoint a general manager for a subsidiary bank;

(2) Subject to the general control of the Board of Directors, the day to day administration and management of the affairs of a subsidiary bank shall vest in the general manager, and the general manager shall exercise such other powers and perform such other duties as may be delegated to him by the Board of Directors.

(3) The general manager of a subsidiary bank—

(a) shall devote his whole time to the affairs of that bank:

Provided that the general manager of the subsidiary bank may, with the approval of the State Bank and the Reserve Bank, be a director of any other institution;

(*b*) shall hold office for such term not exceeding four years and subject to such conditions as the State Bank may, with the approval of the Reserve Bank, specify at the time of his appointment;

(*c*) shall receive such salary and allowances as may be determined by the State Bank with the approval of the Reserve Bank.

(*4*) The general manager vacating his office shall be eligible for re-appointment.

(*5*) The State Bank may, with the approval of the Reserve Bank, for any sufficient reason, remove from office the general manager of a subsidiary bank:

Provided that no such general manager shall be removed from office unless he has been given an opportunity of showing cause against such removal.

Remuneration of directors.

30. A director of a subsidiary bank shall be paid for attending the meetings of the Board of Directors or of any of its committees and for attending to any other business of the subsidiary bank such fees and allowances as may be prescribed:

Provided that no fees shall be payable to the chairman of the State Bank or any other director who is a wholetime officer of the Reserve Bank or the State Bank.

Removal from office of director.

31. (*1*) The State Bank may, with the approval of the Reserve Bank, for any sufficient reason, remove from office a director nominated under clause (*c*) of sub-section (*1*) of section 25 and not being an officer of the State Bank:

Provided that no such director shall be removed from office unless he has been given an opportunity of showing cause against such removal.

(*2*) Any director elected under clause (*d*) of sub-section (*1*) of section 25, may be removed from office—

(*a*) by the State Bank, with the approval of the Reserve Bank, if at the time of the removal there are no shareholders other than the State Bank registered in the books of the subsidiary bank concerned;

(*b*) by a resolution passed by a majority of the votes of such shareholders holding in the aggregate not less than one-half of the share capital held by all such shareholders:

Provided that if the total amount of the holdings of all shareholders, other than the State Bank, registered in the books of the subsidiary bank, on the date of the resolution, is below five per cent. of the total issued capital, the resolution shall not have effect unless confirmed by the State Bank.

Appointment of another person for discharging the duties of general manager during his absence.

32. If the general manager of a subsidiary bank is rendered incapable of discharging his duties by reason of infirmity or otherwise or is absent on leave or otherwise in circumstances not involving the vacation of his office, the State Bank may appoint another person to officiate for the general manager until the date on which the general manager resumes duty.

Casual vacancies among directors.

33. (*1*) Where any vacancy occurs before the expiry of the term of office of a director of a subsidiary bank, the vacancy shall be filled—

(*a*) in the case of a director nominated under clause (*c*) of sub-section (*1*) of section 25, not being an officer of the State Bank, by nomination by the State Bank; and

(*b*) in the case of a director elected under clause (*d*) of sub-section (*1*) of section 25, by election or where the proviso to that clause is applicable, by nomination :

Provided that where the duration of the vacancy in the office of an elected director is likely to be less than six months, the vacancy may be filled by the remaining directors by co-opting a person not disqualified under section 27.

(*2*) A person nominated or elected or co-opted, as the case may be, under this section shall hold office for the unexpired portion of the term of his predecessor.

Meetings of the Board of Directors.

34. (*1*) The Board of Directors of a subsidiary bank shall meet at such time and place and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed.

(*2*) The chairman of the State Bank shall preside at every meeting of the Board of Directors of a subsidiary bank and, in his absence such one of the directors nominated under clause (*c*) of sub-section (*1*) of section 25 as may generally or in relation to any particular

meeting be authorised by the chairman in this behalf shall preside; and in the absence of the chairman and also failing such authorisation, the directors of the subsidiary bank present at the meeting shall elect one from among themselves to preside at the meeting.

Explanation.—For the purposes of this sub-section, "absence from a meeting" means non-attendance for any reason whatsoever at the meeting or any part of the meeting during which any business is transacted.

(3) All questions at a meeting of the Board of Directors of a subsidiary bank shall be decided by a majority of the votes of the directors present, and in case of equality of votes, the person presiding at the meeting shall have a second or casting vote.

(4) Where any of the directors specified in clauses (*a*) and (*b*) of sub-section (*1*) of section 25 or any of the directors, being an officer of the State Bank specified in clause (*c*) of that sub-section is unable to attend any meeting of the Board of Directors of a subsidiary bank, and the State Bank or any other such director as may be present at the meeting considers that the State Bank would not be adequately or effectively represented at such meeting by reason of the absence of any such director, the State Bank or the director present may give notice in writing to that subsidiary bank—

(*i*) that the meeting should be adjourned to such date as may be indicated in the notice; or

(*ii*) that any matter, action, step or proceeding proposed to be considered, taken or carried out at that meeting, should not be so considered, taken or carried out; or

(*iii*) that no decision should be taken at that meeting on any such matter, action, step or proceeding;

and that subsidiary bank and its Board of Directors shall be bound to comply with such notice and act accordingly.

(5) A director of a subsidiary bank who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal, entered into or proposed to be entered into or made by or on behalf of the subsidiary bank shall, at the earliest possible opportunity, disclose the nature of his interest to the Board of Directors of that bank; and any such director shall not be present at any meeting of the Board of Directors when any such contract, loan, arrangement or proposal is discussed, unless his presence is required by the other directors for the purpose of eliciting information and where

any director is so required to be present, he shall not vote on any such contract, loan, arrangement or proposal:

Provided that nothing contained in this sub-section shall apply to such director by reason only of his being a shareholder (other than a director) holding not more than two per cent. of the paid-up capital in any public company as defined in the Companies Act, 1 of 1956. 1956, with which the subsidiary bank has entered into or proposes to enter into a contract or other arrangement.

(6) A copy of the minutes of every meeting of the Board of Directors of a subsidiary bank, together with copies of all connected papers, shall be forwarded to the State Bank and the Reserve Bank as soon as possible.

Executive committee and other committees.

35. (1) There shall be an executive committee in respect of a subsidiary bank consisting of such directors as may be prescribed:

Provided that if any such director being an officer of the State Bank and nominated by that bank under clause (c) of sub-section (1) of section 25, is unable to exercise his functions or to discharge his duties in relation to the executive committee, the State Bank may depute any of its officers to exercise all the functions and to discharge all the duties of such director in relation to the executive committee whenever such director is so unable to exercise his functions or discharge his duties; and the officer so nominated shall, for all purposes of this Act, in so far as it applies to the executive committee, be deemed to be a director of the subsidiary bank.

(2) Subject to any regulations made under this Act, the executive committee may deal with any matter within the competence of the Board of Directors.

(3) A copy of the minutes of every meeting of the executive committee of a subsidiary bank shall be forwarded to the State Bank and be laid before the Board of Directors of the subsidiary bank as soon as possible after the meeting.

(4) Without prejudice to the powers of the executive committee, and subject to any regulations made under this Act, the Board of Directors of a subsidiary bank may constitute such and so many other committees, whether consisting wholly of the directors or wholly of other persons, or partly of the directors and partly of other persons, as it deems fit, to exercise such powers and such duties as may, subject to such conditions, if any, as the Board of Directors may impose, be delegated to them by the Board of Directors.

CHAPTER VI

BUSINESS OF SUBSIDIARY BANKS

Subsidiary bank to act as agent of the State Bank.

36. (*1*) A subsidiary bank shall, if so required by the State Bank, act as agent of the State Bank at any place in India for—

(*a*) paying, receiving, collecting and remitting money, bullion and securities on behalf of any Government in India; and

(*b*) undertaking and transacting any other business which the Reserve Bank may, from time to time, entrust to the State Bank.

(*2*) The terms and conditions on which any such agency business shall be carried on by the subsidiary bank on behalf of the State Bank shall be such as may be determined by the State Bank, after consultation with the subsidiary bank and with the approval of the Reserve Bank.

(*3*) Until an arrangement is made by the State Bank with the Hyderabad Bank or the State Bank of Mysore, as the case may be, under this section, or until the expiry of a period of six months from the appointed day (which period may from time to time be extended by the Reserve Bank) whichever is earlier, the Hyderabad Bank and the State Bank of Mysore may respectively act as agent of the Reserve Bank, at the same places where and for the same purposes for which, and on the same terms and conditions on which the Hyderabad Bank or the Bank of Mysore Limited, as the case may be, was acting as agent of the Reserve Bank immediately before the appointed day or with the previous approval of the Central Government at any other place or for any purpose.

(*4*) Until an arrangement is made by the State Bank with the State Bank of Bikaner, the State Bank of Jaipur, the Saurashtra Bank or the State Bank of Travancore, as the case may be, under this section or until the expiry of a period of six months from the appointed day (which period may from time to time be extended by the Reserve Bank) whichever is earlier, the State Bank of Bikaner, the State Bank of Jaipur, the Saurashtra Bank or the State Bank of Travancore may act as agent of the State Government of Rajasthan or the State Government of Bombay or the State Government of Kerala as the case may be, at the same places where and for the same purposes for which, and on the same terms and conditions on which, the Bank of Bikaner, Limited, or the Bank of Jaipur Limited or the Saurashtra Bank, or the Travancore Bank Limited, as the case may be, was acting as agent for the State Government immediately before the appointed day or with the previous approval of the Central Government at any other place or for any purpose.

Other business which a subsidiary bank may transact.

37. (1) Subject to the other provisions contained in this Act, a subsidiary bank may carry on and transact the business of banking as defined in clause (b) of sub-section (1) of section 5 of the Banking Companies Act, 1949, and may engage in such one or more of the other forms of business, as are specified in sub-section (1) of section 6 of that Act.

10 of 1949.

(2) The Central Government may, after consultation with the Reserve Bank and the State Bank, by order in writing—

(a) authorise a subsidiary bank to do such other forms of business as the Central Government may consider necessary or expedient;

(b) direct that any form of business as is mentioned in the order, shall be carried on subject to such restrictions, conditions and safeguards as may be specified therein; or

(c) prohibit a subsidiary bank from carrying on or transacting any form of business which, but for this clause, it is lawful for the subsidiary bank to engage in.

(3) Save as otherwise provided in sub-section (2), a subsidiary bank shall not engage in any form of business other than that referred to in sub-section (1).

Acquisition of business of other banks.

38. (1) A subsidiary bank may, with the approval of the State Bank, and shall, if the Reserve Bank, in consultation with the State Bank, so directs, enter into negotiations for acquiring the business, including the assets and liabilities of any other banking institution.

(2) The terms and conditions relating to such acquisition, if agreed upon by the Board of Directors of the subsidiary bank concerned and the directorate or management of the banking institution concerned and approved by the Reserve Bank, shall be submitted to the Central Government for its sanction and that Government may by order in writing (hereafter in this section referred to as the order of sanction) accord its sanction thereto.

(3) Notwithstanding anything contained in this Act or any other law for the time being in force or any instrument regulating the constitution of the banking institution concerned, the terms and conditions as sanctioned by the Central Government shall come into effect on the date specified by the Central Government in this behalf in the order of sanction and be binding upon the subsidiary bank and the banking institution concerned as well as upon the shareholders (or, as the case may be, proprietors) and creditors of that banking institution.

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(4) If for any reason the terms and conditions cannot come into effect on the date specified in the order of sanction, the Central Government may fix another suitable date for that purpose.

(5) On the date on which the terms and conditions as aforesaid come into effect, the business and the assets and liabilities of the banking institution concerned as covered by the acquisition shall, by virtue, and in accordance with the provisions, of the order of sanction stand transferred to, and become respectively the business and the assets and liabilities of, the subsidiary bank concerned.

(6) The consideration for the acquisition of the business and the assets and liabilities of any banking institution under this section may, if so agreed upon, be paid either in cash or by allotment of shares in the capital of the subsidiary bank concerned or partly in cash and partly by allotment of shares, and the subsidiary bank may, for the purpose of any such allotment, increase, subject to the other provisions contained in this Act relating to the increase of capital, the capital of the subsidiary bank by the issue of such number of shares as may be determined by the subsidiary bank.

(7) Any business acquired under this section shall thereafter be carried on by the subsidiary bank in accordance with the provisions of this Act subject to such exemptions or modifications as the Central Government may, by notification in the Official Gazette, make in this behalf in consultation with the Reserve Bank:

Provided that no such exemption or modification shall be made so as to have effect for a period of more than seven years from the date of acquisition.

(8) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or in any other law or in any agreement for the time being in force, on the acquisition of the business and the assets and liabilities of any banking institution under this section, no officer or other employee of that banking institution shall be entitled to any compensation to which he may be entitled under that Act or that other law or that agreement, and no claim in respect of such compensation shall be entertained by any court, tribunal or other authority if on his having accepted in writing an offer of employment by the subsidiary bank concerned on the terms and conditions proposed by it he has been employed in accordance with such terms and conditions. 14 of 1947.

(9) The Central Government may, if it considers necessary or expedient in the case of any banking institution in relation to which an order of sanction has been made under this section, appoint,

whether before or after the coming into effect of the terms and conditions relating to the business and the assets and liabilities of that banking institution, a suitable person to take over the management of that banking institution for the purposes of winding up its affairs and distributing its assets, and the expenditure incurred in connection with such management (including the remuneration of the person so appointed and his staff, if any) shall be paid out of the assets of the banking institution or by the subsidiary bank concerned as the Central Government may direct.

(*10*) Simultaneously with the appointment of a suitable person under sub-section (*9*) or immediately thereafter, the Central Government shall issue directions to be followed by that person in the management of that banking institution for the purposes aforesaid and thereupon—

1 of 1956.
10 of 1949.

(*a*) the provisions of the Companies Act, 1956, or the Banking Companies Act, 1949, or any other law for the time being in force or any instrument having effect by virtue of any such Act or law, in so far as they are inconsistent with such directions, shall cease to apply to, or in relation to, that banking institution;

(*b*) all persons in charge of the management, including any person holding office as manager or director, of the banking institution, immediately before the issue of such directions, shall be deemed to have vacated their offices as such; and

(c) the person appointed to take over the management of the banking institution shall, in accordance with those directions, take all such steps as may be necessary to facilitate the winding up of its affairs and the distribution of its assets.

(*11*) The Central Government, when satisfied that nothing further remains to be done in order to wind up the affairs of the banking institution concerned, may, by order in writing, direct that as from such date as may be specified therein, the banking institution shall stand dissolved and thereupon any such direction shall have effect notwithstanding anything to the contrary contained in any other law.

(*12*) No action under this section shall be questioned on the ground merely of any defect in the constitution of any banking institution in relation to which such action has been taken.

(*13*) The provisions of this section shall apply in relation to the acquisition by one subsidiary bank of the business, including the assets and liabilities, of another subsidiary bank as they apply in relation to the acquisition by a subsidiary bank of the business, including the assets and liabilities, of any other banking institution.

(*14*) In this section, "banking institution" includes any individual or any association of individuals (whether incorporated or not, or whether a department of Government or a separate institution), carrying on the business of banking.

CHAPTER VII

ACCOUNTS AND AUDIT

Closing of annual accounts.

39. A subsidiary bank shall cause its books to be closed and balanced on the thirty-first day of December in each year.

Disposal of profits.

40. (*1*) After making provision for bad and doubtful debts, depreciation in assets, equalisation of dividends, contribution to staff and superannuation funds and for all other matters for which provision is necessary by or under this Act or which are usually provided for by banking companies, a subsidiary bank may, out of its net profits, declare a dividend.

(*2*) The rate of dividend shall be determined by the Board of Directors of the subsidiary bank concerned.

(*3*) Nothing in this section shall be deemed to preclude the payment of interim dividends in such manner and to such extent as may be prescribed.

Audit.

41. (*1*) Subject to the provisions of section 42, the accounts of a subsidiary bank shall be audited by an auditor duly qualified to act as an auditor of companies under sub-section (*1*) of section 226 of the Companies Act, 1956, who shall be appointed by the State Bank, with the approval of the Reserve Bank. 1 of 1956

(*2*) The auditor shall receive such remuneration as the State Bank may fix.

(*3*) No director or officer of a subsidiary bank shall be eligible to be its auditor during his continuance in office as such director or officer.

(*4*) The auditor shall be supplied with a copy of the annual balance sheet and profit and loss account, and a list of all books kept by the subsidiary bank, and it shall be the duty of the auditor to examine the balance sheet and profit and loss account with the accounts and vouchers relating thereto, and in the performance of his duties, the auditor—

(*a*) shall have, at all reasonable times, access to the books, accounts and other documents of that subsidiary bank;

(*b*) may, at the expense of that subsidiary bank, employ accountants and other persons to assist him in investigating such accounts; and

(c) may, in relation to such accounts, examine any director or any officer of that subsidiary bank.

(5) The auditor shall hold office for such term not exceeding one year as the State Bank may fix at the time of his appointment; and if any vacancy arises before the expiry of the term of an auditor, the vacancy may be filled by the State Bank, with the approval of the Reserve Bank.

(6) The auditor shall on relinquishing office be eligible for re-appointment.

(7) The auditor shall make a report to the State Bank upon the annual balance sheet and accounts of the subsidiary bank, and, in every such report, he shall state—

(a) whether, in his opinion, the balance sheet is a full and fair balance sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and correct view of the affairs of that subsidiary bank, and in case he has called for any explanation or information, whether it has been given and whether it is satisfactory;

(b) whether or not the transactions of that subsidiary bank which have come to his notice have been within the competence of the bank;

(c) whether or not the returns received from the offices and branches of that subsidiary bank have been found adequate for the purpose of his audit;

(d) whether the profit and loss account shows a true balance of profit or loss for the period covered by such account; and

(e) any other matter which he considers should be brought to the notice of the State Bank.

(8) The auditor shall forward a copy of the audit report to the subsidiary bank and to the Central Government.

(9) Without prejudice to the foregoing provisions, the Central Government may, at any time, appoint such number of auditors as it thinks fit to examine and report on the accounts of a subsidiary bank, and the auditors so appointed shall have all the rights, privileges and authority in relation to the audit of the accounts of the subsidiary bank which an auditor appointed by the State Bank has under this section.

Temporary provision regarding existing auditors.

42. If, on the appointed day, any appointment of an auditor made by, or in respect of, an existing bank, the Hyderabad Bank or the Saurashtra Bank, as the case may be, is subsisting, the State Bank may, on or after such day, either confirm the appointment in accordance with the provisions of this Act, subject to such modifications of the terms and conditions of the appointment, as it may deem necessary, or terminate the appointment; and may, if it so terminates the appointment, fix such remuneration as appears to it to be reasonable having regard to the work already done, functions discharged, or duties performed by the auditor concerned.

Returns to be furnished by a subsidiary bank.

43. (*1*) A subsidiary bank shall furnish to the State Bank and the Reserve Bank—

(*a*) within three months from the date on which its accounts are closed and balanced, its balance sheet, together with the profit and loss account and the auditor's report, and a report by the Board of Directors on the working of the subsidiary bank during the period covered by the accounts; and

(*b*) any other information relating to the affairs and business of the subsidiary bank which the State Bank or the Reserve Bank may require.

(*2*) The balance sheet and the profit and loss account of a subsidiary bank shall be signed by the general manager and a majority of the directors of the subsidiary bank.

General meetings.

44. (*1*) A general meeting (hereinafter referred to as an annual general meeting) of a subsidiary bank shall be held annually before the end of March at the place where the head office of the subsidiary bank is situate, and any other general meeting may be convened by the Board of Directors at any time.

(*2*) The shareholders present at an annual general meeting shall be entitled to discuss the balance sheet and profit and loss account of the bank concerned, made up to the previous 31st day of December, the report of the Board of Directors on the working of that bank for the period covered by the accounts and the auditors' report on the balance sheet and accounts.

(*3*) Nothing contained in this section relating to an annual general meeting shall apply in relation to a subsidiary bank if, as on the previous 31st day of December, all the shares in the issued capital of that bank are held by the State Bank.

CHAPTER VIII

MISCELLANEOUS

Power to issue directions for removing difficulties.

45. For the purpose of facilitating the full and effective transfer of the undertaking of an existing bank in accordance with the provisions of this Act, or in order to remove any difficulty which in the opinion of the Central Government has arisen or is likely to arise in connection with such transfer, the Central Government may, in consultation with the Reserve Bank, give such directions to any existing bank or the State Bank as appear to it to be necessary and the said bank or the State Bank, as the case may be, shall comply with such directions.

Observers for existing banks and the Saurashtra Bank.

46. (*1*) The State Bank may, in relation to any existing bank or the Saurashtra Bank, at any time before the appointed day,—

(*a*) depute one or more persons to watch the proceedings at any meeting of the Board of Directors, any committee or other body of the bank; require the bank to give an opportunity to the person or persons so deputed to be heard at such meetings and also require such person or persons to send a report of such proceedings to the State Bank;

(*b*) require the Board of Directors, any committee or other body of the bank to give in writing to any person specified by the State Bank in this behalf, at his usual address, all notices of, and other communications relating to, any meeting of the Board, committee or other body, as the case may be;

(*c*) appoint one or more persons to observe the manner in which the affairs of the bank or of its offices or branches are being conducted and make a report thereon; and

(*d*) require the bank to furnish the State Bank, within such time as may be specified by the State Bank, with any statement or information relating to the business or affairs of the bank, including copies of the proceedings of any meeting of the Board of Directors, any committee or other body, of the bank.

(*2*) If a person deputed by the State Bank to watch the proceedings of any meeting of the Board of Directors, any committee or other body, as the case may be, gives notice in writing to the bank that such person considers that any action, step or proceeding proposed to be taken or carried out by the bank will be detrimental to

the State Bank or to the bank itself, such action, step or proceeding shall not be taken or carried out by the bank unless and until the State Bank approves in writing of such action, step or proceeding.

Explanation.—For the purposes of this section, "Board of Directors" in relation to the Saurashtra Bank, means its Board of Management.

Inspection.

47. (*1*) Without prejudice to the other provisions contained in this Act, the State Bank may, at any time, cause an inspection to be made by one or more of its officers of any existing bank, a new bank, the Hyderabad Bank or the Saurashtra Bank.

(*2*) It shall be the duty of every person who is, or has, at any time, been a director, officer or other employee of a bank which is inspected under sub-section (*1*), to produce to any officer making the inspection, all such balances, books, accounts, securities and other documents in his custody or power and to furnish the said officer with any statements and information relating to the affairs of the bank as the said officer may require of him within such time as the said officer may specify.

(*3*) If any person—

(*a*) fails, within the stipulated time, to produce any balance, book, account, security or other document or to furnish any statement or information which under sub-section (*2*) it is his duty to produce or furnish, or to answer any question relating to the business of the bank under inspection which is asked by an officer making the inspection, or

(*b*) in any document or information required or furnished or while answering any question put to him, wilfully makes a statement which is false in any material particular, knowing it to be false, or wilfully omits to make a material statement,

he shall be punishable with imprisonment for a term which may extend to three years and shall also be liable to fine.

Cost of development Programme.

48. (*1*) A subsidiary bank may accept any subsidies offered by the State Bank to meet—

(*a*) the cost of the whole or any part of any specific programme of development undertaken by that subsidiary bank with the approval of the State Bank; and

(*b*) such losses or expenditure as may be approved by the State Bank, with the consent of the Reserve Bank.

11 of 1922.

(2) For the purposes of the Indian Income-tax Act, 1922, any subsidy received by a subsidiary bank under sub-section (1) shall not be treated as income, profits or gains of the subsidiary bank.

Special provision regarding existing officers and employees.

49. (1) Notwithstanding anything contained in any of the other provisions of this Act, or in any other law or in any contract of service or other document, no appointment made or promotion, increment in salary, pension or allowance or any other benefit granted to any person by an existing bank or the Saurashtra Bank after the 10th day of February, 1958, and before the appointed day, which would not ordinarily have been made or granted or which would not ordinarily have been admissible under the rules or authorisations of the said banks or of any provident, pension or other fund in force before the 10th day of February, 1958, shall have effect or be payable or claimable from the subsidiary bank concerned, or from any provident, pension or other fund, or from any authority administering any such fund, unless the State Bank has, with the approval of the Reserve Bank, by a general or special order, confirmed the appointment, promotion or increment or has directed the grant of the pension, allowance or other benefit, as the case may be.

(2) Where any officer or other employee of an existing bank or of the Saurashtra Bank has received any amount by reason of such appointment, promotion or increment or any such pension, allowance or other benefit as is referred to in sub-section (1), which has not been confirmed or sanctioned by the State Bank under that sub-section, such officer or other employee shall be bound to refund such amount to the subsidiary bank concerned, and that bank shall be entitled to take all such steps as may be necessary for recovering such amount.

(3) Where any managing director, general manager or manager, deputy managing director or deputy general manager or other employee of an existing bank or the Saurashtra Bank has, after the 10th day of February, 1958, and before the appointed day, been paid any sum by way of compensation or gratuity, the subsidiary bank concerned shall be entitled to claim a refund of any sum so paid if the payment is not confirmed by the State Bank by a general or special order.

(4) Nothing in this section shall apply to, or in relation to, any officer or other employee of the Bank of Patiala, who does not become an officer or other employee of the State Bank of Patiala under the provisions of section 11.

Staff of a subsidiary bank.

50. (1) A subsidiary bank may, subject to such limitations and conditions as may be prescribed, appoint such number of officers,

advisers and employees as it considers necessary or desirable, for the efficient performance of its functions and on such terms and conditions as it may deem fit.

(2) For the removal of doubts, it is hereby declared that the officers, advisers and employees of a subsidiary bank, in whatever capacity engaged, shall not be deemed to be officers, advisers or employees of the State Bank for any purpose, unless otherwise provided in the contract or agreement of service of any such officer, adviser or employee.

Establishment of pension and superannuation funds by subsidiary banks.

51. Notwithstanding anything to the contrary contained in any other law for the time being in force, a subsidiary bank may establish and maintain superannuation, pension, provident or other funds for the benefit of its officers or employees or the dependants of such officers or employees or for the purposes of the subsidiary bank, and grant superannuation allowances, annuities and pensions payable out of any such fund.

Obligation as to fidelity and secrecy.

52. (1) A subsidiary bank shall observe, except as otherwise required by law, the practices and usages customary among bankers, and in particular, it shall not divulge any information relating to, or to the affairs of, its constituents except in circumstances in which it is, in accordance with the law or practice and usage customary among bankers, necessary or appropriate for that bank to divulge such information.

(2) Every director, auditor, adviser, officer or other employee of a subsidiary bank shall, before entering upon his duties, make a declaration of fidelity and secrecy as in the form set out in the Second Schedule:

Provided that any declaration made under sub-section (2) of section 35 of the State Bank of Hyderabad Act shall be deemed to be a declaration made to the Hyderabad Bank under this sub-section.

Indemnity of directors.

53. (1) Every director of a subsidiary bank shall be indemnified by that bank against all losses and expenses incurred by him in, or in relation to, the discharge of his duties except such as are caused by his own wilful act or default.

(2) A director of a subsidiary bank shall not be responsible for any loss or expense caused to the bank by the insufficiency or deficiency of the value of, or title to, any property or security acquired or taken on behalf of the bank or by the insolvency or wrongful act of any customer or debtor or by anything done in, or in relation to, the execution of the duties of his office or otherwise than for his wilful act or default.

Defects in appointment or constitution not to invalidate acts or proceedings.

54. (*1*) No act or proceeding of the Board of Directors of a subsidiary bank shall be questioned on the ground merely of the existence of any vacancy in, or defect in the constitution of, the Board.

(*2*) All acts done by any person acting in good faith as a director of a subsidiary bank shall, notwithstanding that he was disqualified to be a director or that there was any other defect in his appointment, be deemed to be valid.

Companies Act, 1956, and Banking Companies Act, 1949, not to apply to certain existing banks.

55. Subject to the provisions of this Act and unless the Central Government, by notification in the Official Gazette, otherwise directs, on and from the appointed day, the provisions of the Companies Act, 1956, and the Banking Companies Act, 1949, shall not apply to an existing bank, in so far as the said provisions impose any obligation on, or require anything to be done by, any such bank.

1 of 1956.
10 of 1949.

Continuance of special provisions respecting recovery of loans and advances made by the Bank of Patiala and the State Bank of Saurashtra.

56. The State Bank of Patiala and the Saurashtra Bank shall be entitled to recover in the same manner as an arrear of land revenue any moneys due in respect of loans or advances made before the appointed day by the Bank of Patiala or the Saurashtra Bank, as the case may be, and the provisions of any law, relating to such recovery as were applicable to that bank before the appointed day shall continue to apply to the State Bank of Patiala or the Saurashtra Bank, as the case may be, in respect of such recovery after the appointed day.

Bar to liquidation of a subsidiary bank.

57. No provision of law relating to the winding up of companies shall apply to a subsidiary bank nor shall it be placed in liquidation, save as provided in this Act or by order of the Central Government and in such manner as the Central Government may direct.

Dissolution of existing banks.

58. Notwithstanding anything contained in this Act or in any other law for the time being in force or in any contract or other instrument, an existing bank shall, on such date as the Central Government may, by notification in the Official Gazette, specify in this behalf, stand dissolved.

Reference in other laws to existing banks.

59. On and from the appointed day, any reference to an existing bank in any law, other than this Act, or in any contract or other instrument, shall, except as otherwise provided in any general or special order made by the Central Government, be construed as a reference to the corresponding new bank.

Exercise of powers and functions on behalf of the Reserve Bank.

60. Any powers, duties or functions conferred, imposed or entrusted by this Act on, or to, the Reserve Bank, shall be exercised or performed by the Governor of the Reserve Bank or, in his absence,

a Deputy Governor nominated under sub-section (3) of section 7 of the Reserve Bank of India Act, 1934, or by such officer or officers of the Reserve Bank in respect of such matters and subject to such conditions and limitations as the Governor of the Reserve Bank may specify. 2 of 1934.

Protection of action taken under Act.

61. (1) No suit or other legal proceedings shall lie against the Central Government, the Reserve Bank or the State Bank or any officer of the Central Government, the Reserve Bank or the State Bank for any damage caused or likely to be caused by anything which is in good faith done or intended to be done in pursuance of this Act.

(2) No person shall have any right, whether in contract or otherwise, to any compensation for any loss incurred or any damage caused by reason of the operation of, or anything done in pursuance of, the provisions contained in sections 46 and 47.

Power of Central Government to make rules.

62. (1) The Central Government may, by notification in the Official Gazette, make rules to give effect to the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for—

(a) the terms and conditions of service of the Chairman, members and staff of the Tribunal;

(b) the manner of, and the procedure for, payment of compensation (including allotment of shares in lieu of compensation) under this Act, including the requirements subject to which the payment shall be made;

(c) the determination of the persons to whom compensation shall be payable in all cases including cases where shares have been held by more than one person, or where they have been transferred before the appointed day, but the transfer has not been registered, or where the shareholder is dead;

(d) the circumstances under which claims for payment of the said compensation from persons claiming through or under a shareholder may be entertained;

(e) the requirements to be complied with before receipt of the said compensation by a shareholder, whose share certificate has been lost, destroyed, mutilated or stolen;

(f) the requirements subject to which information regarding the payment of the said compensation may be granted or

refused and the conditions subject to which such information may be given.

(3) All rules made under this section shall be laid for not less than thirty days before each House of Parliament as soon as may be after they are made, and shall be subject to such modifications as Parliament may make during the session in which they are so laid or the session immediately following.

Power of the State Bank to make regulations.

63. (1) The State Bank may, with the approval of the Reserve Bank, make in respect of a subsidiary bank regulations, not inconsistent with this Act and the rules made thereunder, to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for—

(a) the powers and duties of the general manager of the subsidiary bank;

(b) the fees and allowances which may be paid to directors or others for attending any meetings of the Board of Directors or of its committees (including the executive committee) or other committees or for attending to any other work of the subsidiary bank;

(c) the time and place at which, and the manner in which, the business of the Board of Directors of the subsidiary bank shall be transacted and the procedure to be followed at the meetings thereof;

(d) the constitution of the executive committee of the subsidiary bank and the conditions and limitations subject to which the executive committee may exercise its powers and the procedure to be followed at the meetings thereof;

(e) the formation of any other committees, whether of the Board of Directors of the subsidiary bank or otherwise, and the delegation of powers and functions of the Board to such committees and the conduct of business in such committees;

(f) the nature of shares of the subsidiary bank, the manner in which, and the conditions subject to which, shares may be held and transferred and generally all matters relating to the rights and duties of shareholders;

(g) the maintenance of share registers, and the particulars to be entered in such registers in addition to those specified in

section 21, the inspection and closure of the registers and all other matters connected therewith;

(*h*) the holding and conduct of elections under this Act and the final determination of doubts or disputes regarding the qualifications of candidates for election or regarding the validity of elections;

(*i*) the manner in which general meetings shall be convened, the procedure to be followed thereat and the manner in which voting rights may be exercised;

(*j*) the manner in which notices may be served on behalf of the subsidiary bank upon shareholders or other persons;

(*k*) the payment of dividends, including interim dividends;

(*l*) the delegation of powers and functions of the Board of Directors of the subsidiary bank to the general manager or directors or officers or other employees of that bank;

(*m*) the conditions and limitations subject to which the subsidiary bank may appoint officers, advisers and other employees and fix their remuneration and other terms and conditions of service;

(*n*) the duties and conduct of officers, advisers and other employees of the subsidiary bank;

(o) the establishment and maintenance of superannuation, pension, provident or other funds for the benefit of the officers or employees of the subsidiary bank or of the dependants of such officers or employees or for the purposes of the subsidiary bank, and the granting of superannuation allowances, annuities and pensions payable out of any such fund;

(*p*) the conduct and defence of legal proceedings by or against the subsidiary bank and the manner of signing pleadings;

(*q*) the provision of a seal for the subsidiary bank and the manner and effect of its use;

(*r*) the form and manner in which contracts binding on the subsidiary bank may be executed;

(*s*) the conditions and requirements subject to which loans or advances may be made or bills may be discounted or purchased by the subsidiary bank;

(*t*) the conditions subject to which advances may be made by the subsidiary bank to its directors or officers or the relatives

of such directors or officers or to companies, firms or individuals with which or with whom such directors or officers or relatives are connected as partners, directors, managers, servants, shareholders or otherwise;

(*u*) the persons or authorities who shall administer any pension, provident or other fund constituted for the benefit of the officers or employees of the subsidiary bank or their dependants or for the purposes of that bank;

(*v*) the circumstances in which the specific approval of the State Bank shall be required to the grant of loans and advances or investment of funds by the subsidiary bank or to any contract, arrangement or proposal entered into or proposed to be entered into by the subsidiary bank;

(*w*) the preparation and submission to the State Bank and the Reserve Bank of statements of programmes of activities and financial statements of the subsidiary bank and the periods for which and the time within which, such statements and estimates are to be prepared and submitted;

(*x*) the person or persons in the State Bank by whom any powers, duties or functions conferred, imposed or entrusted on or to the State Bank under this Act may be exercised or performed;

(*y*) generally, for the efficient conduct of the affairs of the subsidiary bank.

(3) All regulations under this section, except the first regulations, shall be made in consultation with the Board of Directors of the subsidiary bank concerned.

Amendment of certain enactments.

64. The enactments specified in Parts I to VII of the Third Schedule shall be amended in the manner directed in the first column thereof and such amendments shall take effect on the dates specified in the second column thereof.

Saving.

23 of 1955.

65. Nothing in this Act shall be deemed to affect the provisions of section 35 of the State Bank of India Act, 1955.

THE FIRST SCHEDULE

(*See* sections 13 and 14)

PRINCIPLES OF COMPENSATION

1.A. The compensation to be given by the State Bank shall, in the case of the Hyderabad Bank, the Bank of Patiala or the Saurashtra Bank, be an amount equal to the value of the assets of that bank as on the day immediately before the appointed day, computed in

accordance with the provisions of Part I of this paragraph *less* the total amount of liabilities thereof computed in accordance with the provisions of Part II of this paragraph.

B. The total compensation to be given by the State Bank in respect of the transfer of the shares in the capital of the existing banks, other than the Bank of Patiala, to the persons (including any State Government) who, immediately before the appointed day, are registered as holders of shares in the books of each of these banks shall, in each case, be an amount equal to the value of the assets of that bank as on the day immediately preceding the appointed day in relation to the corresponding new bank, computed in accordance with the provisions of Part I of this paragraph *less* the total amount of liabilities thereof computed in accordance with the provisions of Part II of this paragraph.

PART I—*Assets*

For the purposes of this paragraph, assets means the total of the following:—

(*a*) the amount of cash in hand and with the Reserve Bank and the State Bank (including foreign currency notes which shall be converted at the market rate of exchange);

(*b*) the amount of balances with any other bank, not being the Reserve Bank or the State Bank, whether on deposit or current account, and money at call and short notice, balances held outside India being converted at the market rate of exchange:

Provided that any balances which are not realisable in full shall be deemed to be debts and valued accordingly;

(*c*) the market value as on the appointed day of any securities, shares, debentures, bonds and other investments, held by the bank concerned;

Explanation.—For the purposes of this clause,—

(*i*) securities of the Central and State Governments [other than the securities specified in sub-clauses (*ii*) and (*iii*) of this *Explanation*] maturing for redemption within five years from the appointed day shall be valued at the face value or the market value whichever is higher;

(*ii*) securities of the Central Government, such as Post Office Certificates and Treasury Savings Deposit Certificates and any other securities or certificates issued or to be issued under the Small Savings Scheme of the Central Government, shall be valued at their face value or the encashable value as on the appointed day, whichever is higher;

(*iii*) where the market value of any Government security such as the zamindari abolition bonds or other similar security in respect of which the principal is payable in instalments, is not ascertainable or is, for any reason, not considered as reflecting the fair value thereof or as otherwise appropriate, the security shall be valued at such an amount as is considered reasonable having regard to the instalments of principal and interest remaining to be paid, the period during which such instalments are payable, the yield of any security, issued by the Government to which the security pertains and having the same or approximately the same maturity, and other relevant factors;

(*iv*) where the market value of any security, share, debenture, bond or other investment is not considered reasonable by reason of its having been affected by abnormal factors, the investment may be valued on the basis of its average market value over any reasonable period;

(*v*) where the market value of any security, share, debenture, bond or other investment is not ascertainable, only such value, if any, shall be taken into account as is considered reasonable having regard to the financial position of the issuing concern, the dividend paid by it during the preceding five years and other relevant factors;

(*d*) the amount of advances (including loans, cash credits, overdrafts, bills purchased and discounted), and other debts, whether secured or unsecured, to the extent to which they are reasonably considered recoverable, having regard to the value of the security, if any, the operations on the account, the reported worth and respectability of the borrower, the prospects of realisation and other relevant considerations;

(*e*) the market value of any land or buildings;

(*f*) the total amount of the premia paid, in respect of all leasehold properties, reduced in the case of each such premium by an amount which bears to such premium the same proportion

as the expired term of the lease in respect of which such premium shall have been paid bears to the total term of the lease;

(*g*) the written down value as per books, or the realisable value, as may be considered reasonable, of all furniture, fixtures and fittings;

(*h*) the market or realisable value, as may be appropriate, of other assets appearing on the books of the bank, no value being allowed for capitalised expenses, such as share selling commission, organisational expenses and brokerage, losses incurred and similar other items.

PART II—*Liabilities*

For the purposes of this paragraph, "liabilities" means the total amount of all outside liabilities existing on the appointed day and all contingent liabilities which the subsidiary bank concerned may reasonably be expected to be required to meet out of its own resources on or after the appointed day.

COMPENSATION PAYABLE TO SHAREHOLDERS

2. Every shareholder of an existing bank other than the Bank of Patiala shall be given such amount as compensation as bears to the total compensation, in respect of each of the said banks calculated in accordance with the provisions of paragraph 1, the same proportion as the amount of the paid up capital of the shares held by the shareholder bears to the total paid up capital of that bank.

CERTAIN DIVIDENDS NOT TO BE TAKEN INTO ACCOUNT

3. No separate compensation shall be payable for any profits or any dividend in respect of any period immediately preceding the appointed day for which, in the ordinary course, profits would have been transferred or dividend declared after the appointed day.

THE SECOND SCHEDULE

(*See* section 52)

DECLARATION OF FIDELITY AND SECRECY

I,....., do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as..... (director, auditor, adviser, officer or employee, as the case may be) of the State

Bank of.....*and which properly relate to the office of position held by me in, or in relation to, the said bank.

I further declare that I will not communicate, or allow to be communicated, to any person not legally entitled thereto any information relating to the affairs of the State Bank of.....* or to the affairs of any person having any dealing with the said bank; nor will I allow any such person to inspect or have any access to any books or documents belonging to, or in the possession of, the State Bank of* and relating to the business of the said bank or to the business of any person having any dealing with the said bank.

THE THIRD SCHEDULE

(*See* section 64)

AMENDMENTS TO CERTAIN ENACTMENTS

PART I

Amendments to the Reserve Bank of India Act, 1934 (2 *of* 1934)

Amendments	Date on which amendments shall take effect
1. In section 17—	
(*a*) after clause (8*A*), insert the following, namely :—	
"(8*B*) the keeping of deposits with the State Bank for such specific purposes as may be approved by the Central Government in this behalf.";	The date of commencement of this Act.
(*b*) omit clause (14A) . .	Appointed day in relation to the Hyderabad Bank.
2. For section 45, substitute the following, namely :—	Obligation to appoint as agent.
'45. (1) Unless otherwise directed by the Central Government with reference to any place, the Bank shall appoint the State Bank as its sole agent at all places in India where it does not have an office or branch of the Banking Department and there is a branch of the State Bank or a branch of a subsidiary bank.	Date of commencement of this Act.

*Here enter the name of the subsidiary bank concerned.

Amendments	Date on which amendments shall take effect
(2) Notwithstanding anything contained in sub-section (1) or in any agreement between the Bank and the State Bank, the Bank may, until an arrangement under section 36 of the State Bank of India (Subsidiary) Banks Act, 1959, is made by the State Bank with the State Bank of Hyderabad or the State Bank of Mysore, employ or continue to employ as its agent, the State Bank of Hyderabad or, as the case may be, the Bank of Mysore, Limited or the State Bank of Mysore, at such places where, and for such purposes for which, the Hyderabad Bank and the Bank of Mysore, Limited were respectively acting as agents of the Reserve Bank immediately before the commencement of that Act and, with the previous approval of the Central Government, at any other place and for any purpose. *Explanation.*—The expression "subsidiary bank" in this section shall have the same meaning as in section 2 of the State Bank of India (Subsidiary Banks) Act, 1959.'.	Date of commencement of this Act.
3. In the Second Schedule,—	
(*a*) for the words "Bank of Jaipur, Jaipur", substitute the words "State Bank of Jaipur";	Appointed day in relation to the State Bank of Jaipur.
(*b*) for the words "Bank of Mysore, Bangalore", substitute the words "State Bank of Mysore";	Appointed day in relation to the State Bank of Mysore.
(*c*) for the words "Bank of Bikaner, Ltd., Bikaner", substitute the words "State Bank of Bikaner" ;	Appointed day in relation to the State Bank of Bikaner.
(*d*) for the words "Travancore Bank Ltd., Trivandrum Taluk", substitute the words "State Bank of Travancore" ;	Appointed day in relation to the State Bank of Travancore.
(*e*) for the words "Bank of Indore", substitute the words "State Bank of Indore" ;	Appointed day in relation to the State Bank of Indore.
(*f*) for the words "The Bank of Patiala, Patiala", substitute the words "State Bank of Patiala.".	Appointed day in relation to the State Bank of Patiala.

PART II

Amendments to the Industrial Disputes Act, 1947 (14 *of* 1947)

Amendments	Date on which amendments shall take effect
In section 2, for clause (*bb*), substitute the following, namely :—	
'(*bb*) "banking company" means a banking company as defined in section 5 of the Banking Companies Act, 1949, having branches or other establishments in more than one State, and includes the Reserve Bank of India, the State Bank of India and any subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959.'	The date of commencement of this Act.

10 of 1949.

PART III

Amendments to the Banking Companies Act, 1949 (10 *of* 1949)

In section 51, for the proviso, substitute the following, namely :—	
"Provided that—	
(*a*) nothing contained in clause (*c*) of sub-section (*1*) of section 10 shall apply to the chairman of the State Bank of India or to a general manager of any subsidiary bank in so far as the said clause precludes him from being a director of, or holding an office in, any institution approved by the Reserve Bank ;	The date of commencement of this Act.
(*b*) nothing contained in section 19 shall apply to the holding by the State Bank of India of shares in the capital of any such subsidiary bank; and	
(*c*) nothing contained in section 46 shall apply to any officer of the Central Government or the Reserve Bank or the State Bank of India, nominated or appointed as director of the State Bank of India, or any such subsidiary bank or any other banking institution notified by the Central Government under this section."	

Amendments	Date on which amendments shall take effect
Explanation.—The expression "subsidiary bank" in this section shall have the same meaning as in section 2 of the State Bank of India (Subsidiary Banks) Act, 1959.'.	

PART IV

Amendments to the Banking Companies (Legal Practitioners' Clients' Accounts) Act, 1949 (46 *of* 1949)

In section 2, for clause (*a*), substitute the following, namely :—

'(*a*) "banking company" means any banking company as defined in section 5 of the Banking Companies Act, 1949, and includes the State Bank of India and any subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959.'.	The date of commencement of this Act.

10 of 1949.

PART V

Amendments to the Saurashtra State Bank (Amalgamation) Ordinance, 1950

1. For the long title, preamble and the enacting formula, substitute :—

"An Act to regulate the working of the State Bank of Saurashtra."

2. For section 1, substitute :—

"1. *Short title.*—This Act may be called the State Bank of Saurashtra Act, 1950.".

3. For section 1A, substitute:—

'1A. *Definitions.*—In this Act,—

(*a*) "appointed day" means the date on which the amendments to this Act made by the State Bank of India (Subsidiary Banks) Act, 1959, take effect ;

(*b*) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act 1934.

2 of 1934

Amendments	Date on which amendments shall take effect
(*c*) "Saurashtra Bank" means the State Bank of Saurashtra; (*d*) "State Bank" means the State Bank of India constituted under the State Bank of India Act, 1955.".	
4. In section 2,—	
(*i*) in sub-section (*1*),—	
(*a*) for the words "from the date of publication of this Ordinance in the Local Official Gazette", substitute "from the 19th day of January, 1950"; and	
(*b*) omit the words and brackets "(hereinafter referred to as the Bank)";	The date on which the Central Government, by notification in the Official Gazette, directs that these amendments shall take effect.
(*ii*) for sub-sections (*2*), (*3*) and (*4*), substitute :—	
"(*2*) The head office of the Saurashtra Bank shall be at Bhavnagar or at such other place as the Central Government may, by notification in the Official Gazette, from time to time, specify.".	
5. In section 3,—	
(*a*) in sub-section (*1*),—	
(*i*) for the words "The Bank", substitute the words "The Saurashtra Bank" ;	
(*ii*) after the words "perpetual succession" add the following, namely :—	
"and a common seal and shall sue and be sued in its name.";	

23 of 1955.

Amendments	Date on which amendments shall take effect
(*b*) after sub-section (*1*), insert the following, namely :— "(*2*) With effect from the appointed day, the said corporate body shall consist of the State Bank and other shareholders, if any, for the time being of the Saurashtra Bank. (*3*) The Saurashtra Bank shall carry on the business in accordance with the provisions of the State Bank of India (Subsidiary Banks) Act, 1959, and shall have power to acquire and hold property, whether movable or immovable, for the purposes of its business and to dispose of the same.".	
6. For sections 4 to 8, substitute the following, namely :— "4. The Saurashtra Bank shall not discontinue any of its branches in existence immediately before the appointed day nor shall it establish any new branch except in consultation with the State Bank and with the approval of the Reserve Bank. 5. (*1*) The authorised capital of the Saurashtra Bank shall be two crores of rupees divided into shares of one hundred rupees each. (*2*) Notwithstanding anything contained in this section, the State Bank may, with the approval of the Reserve Bank, authorise the Saurashtra Bank to increase or reduce its authorised capital: Provided that where the authorised capital is so increased, the shares issued shall be of the denomination specified in sub-section (*1*). 6. (*1*) The issued capital of the Saurashtra Bank shall, on the appointed	The date on which the Central Government, by notification in the Official Gazette, directs that these amendments shall take effect.

Amendments	Date on which amendments shall take effect
day, be such amount as the State Bank, with the approval of the Reserve Bank, may fix in this behalf, so however that the amount shall be so fixed as to consist only of fully paid-up shares of one hundred rupees each. (*2*) All shares in the issued capital of the Saurashtra Bank shall, on the appointed day, vest in the State Bank. (*3*) Without prejudice to the provisions contained in sub-section (*4*), the Saurashtra Bank may, with the approval of the State Bank and the Reserve Bank, increase, from time to time, its issued capital and the capital so increased shall consist of fully paid-up shares to be issued in such manner as the State Bank may, with the approval of the Reserve Bank, direct: Provided that the issued capital shall be so increased that at no time shall the State Bank hold less than fifty-five per cent. of the issued capital of the Saurashtra Bank. (*4*) The State Bank shall, as soon as may be, after the determination, if any, of the amount of compensation by the Tribunal under the State Bank of India (Subsidiary Banks) Act, 1959, consider whether any increase or reduction of the issued capital of the Saurashtra Bank as fixed under sub-section (*1*) by way of adjustment by transfer from, or to, the reserves of the Saurashtra Bank or in any other manner, is necessary, expedient or appropriate and may, thereafter, with the approval of the Reserve Bank, direct the Saurashtra Bank to increase or reduce its issued capital.	The date on which the Central Government, by notification in the Official Gazette, directs that these amendments shall take effect.

Amendments	Date on which amendments shall take effect
"7. (*1*) The reserve fund of the Saurashtra Bank shall, subject to the provisions of sub-section (*4*) of section 6 and sub-section (*2*) of this section, consist of— (*a*) on the appointed day, such sum as the State Bank, with the approval of the Reserve Bank, may determine; and (*b*) after the appointed day, the sum aforesaid together with such further sums as may be transferred to the reserve fund by the Saurashtra Bank out of its annual net profits before declaring a dividend. (*2*) The State Bank shall, as soon as may be after the determination, if any, of the amount of compensation by the Tribunal, under the State Bank of India (Subsidiary Banks) Act, 1959, consider whether any increase or reduction of the reserve fund of the Saurashtra Bank is necessary by way of adjustment by transfer from or to any account or towards provision for bad and doubtful debts, depreciation in assets, or contingencies or for any other purpose and may thereafter with the approval of the Reserve Bank, direct the Saurashtra Bank to so increase or reduce its reserve fund. "	The date on which the Central Government, by notification in the Official Gazette, directs that these amendments shall take effect.

PART VI

Amendments to the State Bank of India Act, 1955 (23 *of* 1955)

1. In section 2, after clause (*g*), insert the following, namely:— '(*h*) "subsidiary bank" means a subsidiary bank as defined in the	The date of commencement of this Act.

Amendments	Date on which amendments shall take effect
State Bank of India (Subsidiary Banks) Act, 1959'.	
2. In section 18, in sub-section (*1*), after the words "the discharge of its functions", insert the words "including those relating to a subsidiary bank".	
3. In section 32,—	
(*a*) in sub-section (*1*), after the words "where it has a branch", insert the words "or where there is a branch of a subsidiary bank";	
(*b*) in sub-section (*4*), for the words "either by itself", substitute the words "by itself or through a subsidiary bank".	
4. In section 33,—	
(*a*) after clause (*iv*), insert the following, namely :—	
"(*iva*) the keeping or maintenance of deposits or cash accounts with any banking institution;";	The date of commencement of this Act.
(*b*) in clause (*xix*), for the words "and the forming or conducting of any such banking institution as a subsidiary of the State Bank or in any other manner", substitute the words "the forming or conducting of any such banking institution as a subsidiary of the State Bank or in any other manner and the granting of subsidies or the advancing or lending of moneys to any such subsidiary".	
5. In section 36, in sub-section (*2*), omit the word "and" occurring after clause (*a*) and thereafter, insert the following, namely :—	
"(*aa*) subsidies granted by the State Bank to a subsidiary bank with the approval of the Reserve Bank; and".	

PART VII

Amendments to the State Bank of Hyderabad Act, 1956 (79 of 1956)

Amendments	Date on which amendments shall take effect
1. In section 2, after clause (*e*), insert:— '(*f*) "State Bank" means the State Bank of India constituted under the State Bank of India Act, 1955'. 23 of 1955.	
2. In section 3,— (*a*) in sub-section (*1*), omit "and shall, as from that day, carry on the business of banking and other business in accordance with the provisions of this Act and shall have power to acquire and hold property, whether movable or immovable, for the purposes of this Act and to dispose of the same". (*b*) for sub-section (2), substitute:— "(*2*) The said body corporate shall consist of the State Bank and other shareholders, if any, for the time being, of the Hyderabad Bank." (*2A*) The Hyderabad Bank shall carry on the business of banking and other business in accordance with the provisions of the State Bank of India (Subsidiary Banks) Act, 1959, and shall have power to acquire and hold property, whether movable or immovable, for the purposes of its business and to dispose of the same.".	The date on which the Central Government, by notification in the Official Gazette, directs that these amendments shall take effect.
3. In section 4, in sub-section (*2*), for "and shall not discontinue any such branch or agency or establish any new branch or	

Amendments	Date on which amendments shall take effect
agency except with the previous approval of the Reserve Bank", substitute "and shall not discontinue any branch or establish any new branch except in consultation with the State Bank and with the approval of the Reserve Bank".	
4. For sections 9 and 10, substitute :—	
" 9. (*1*) The authorised capital of the Hyderabad Bank shall be one crore of rupees, divided into shares of one hundred rupees each. **Authorised Capital.**	
(*2*) Notwithstanding anything contained in this section, the State Bank may, with the approval of the Reserve Bank, authorise the Hyderabad Bank to increase or reduce its authorised capital :	
Provided that where the authorised capital is so increased, the shares issued shall be of the denomination specified in sub-section (*1*).	
10. (*1*) The issued capital of the Hyderabad Bank shall, on the day on which the amendments to this Act made by the State Bank of India (Subsidiary Banks) Act, 1959, take effect, be of such amount as the State Bank, with the approval of the Reserve Bank may fix in this behalf, so however that the amount shall be so fixed as to consist only of fully paid-up shares of one hundred rupees each. **Issued Capital.**	The date on which the Central Government, by notification in the Official Gazette, directs that these amendments shall take effect.
(2) All shares in the issued capital of the Hyderabad Bank shall, on that day, vest in the State Bank.	
(*3*) Without prejudice to the provisions contained in sub-section (*4*), the Hyderabad Bank may, with the approval of the State Bank and the Reserve Bank,	

Amendments	Date on which amendments shall take effect
increase, from time to time, its issued capital and the capital so increased shall consist of fully paid-up shares to be issued in such manner as the State Bank may, with the approval of the Reserve Bank, direct : Provided that the issued capital shall be so increased that at no time shall the State Bank hold less than fifty-five per cent. of the issued capital of the Hyderabad Bank". (*4*) The State Bank shall, as soon as may be, after the determination, if any, of the amount of compensation by the Tribunal under the State Bank of India (Subsidiary Banks) Act, 1959, consider whether any increase or reduction of the issued capital of the Hyderabad Bank as fixed under sub-section (*1*) by way of adjustment by transfer from, or to, the reserves of the Hyderabad Bank or in any other manner, is necessary, expedient or appropriate and may, thereafter, with the approval of the Reserve Bank, direct the Hyderabad Bank to increase or reduce its issued capital.	The date on which the Central Government, by notification in the Official Gazette, directs that these amendments shall take effect.
5. Omit sections 11 to 26 inclusive .	
6. For section 27, substitute :—	
Reserve Fund. "27.—(1) The reserve fund of the Hyderabad Bank shall, subject to the provisions of sub-section (*4*) of section 10, and sub-section (*2*) of this section, consist of—	
(*a*) on the day on which the amendments to this Act made by the State Bank of India (Subsidiary Banks) Act, 1959, take effect, such sum as the State Bank, with the approval of the Reserve Bank, may determine; and	

Amendments	Date on which amendments shall take effect
(*b*) after that day, the sum aforesaid together with such further sums as may be transferred to the reserve fund by the Hyderabad Bank out of its annual net profits before declaring a dividend. (*2*) The State Bank shall, as soon as may be after the determination, if any, of the amount of compensation by the Tribunal, under the State Bank of India (Subsidiary Banks) Act, 1959, consider whether any increase or reduction of the reserve fund of the Hyderabad Bank is necessary by way of adjustment by transfer from or to any account or towards provision for bad and doubtful debts, depreciation in assets, or contingencies or for any other purpose and may thereafter, with the approval of the Reserve Bank, direct the Hyderabad Bank to so increase or reduce its reserve fund". Omit sections 28 to 40 inclusive, sections 42, 43, 45 and 46 and the First and Second Schedules.	The date on which the Central Government, by notification in the Official Gazette, directs that these amendments shall take effect.

STATEMENT OF OBJECTS AND REASONS

The future of certain major State-associated banks which are owned in part by the State Governments or with which such Governments have been closely associated has been under consideration for some time. The question has recently been comprehensively re-examined, with particular reference to the necessity for making adequate and proper provision for the management of treasuries and sub-treasuries in the areas served by these banks and the need for the expansion of these banks in these areas; and the views of the banks themselves have been ascertained.

2. The managements and shareholders of the Bank of Bikaner, the Bank of Indore, the Bank of Jaipur, the Bank of Mysore and the Travancore Bank have agreed to the proposal to reconstitute these banks as subsidiaries of the State Bank; and the Governments of Bombay and the Punjab as well as the Reserve Bank of India have agreed to the reconstitution on similar lines of the State Bank of Saurashtra, the Bank of Patiala and the State Bank of Hyderabad respectively.

3. The scheme for reconstitution provides for the transfer to and vesting in the State Bank of India of the share capital of each of the eight banks which have accepted the proposals. Compensation will be payable to the existing shareholders (including a State Government or the Reserve Bank of India as the case may be) on the basis of the excess of the assets over the liabilities, representing the real value of the paid-up capital. Such compensation will be determined, in the event of a dispute, by an impartial tribunal, in accordance with the principles indicated in the Bill.

4. Provision is being made for minority shareholding, by private shareholders up to 45 per cent. of the issued capital, in the case of each of the reconstituted banks. The management and administration of the reconstituted institutions will be entrusted to Boards of directors on which the State Bank of India will be adequately represented. The other provisions made in the Bill are generally based on those contained in the State Bank of India Act, 1955.

MORARJI DESAI.

NEW DELHI;

The 18th February, 1959.

FINANCIAL MEMORANDUM

Clause 15 of the Bill provides for the constitution by the Central Government of a tribunal consisting of a chairman and two other members, to determine, in the event of a dispute, the compensation payable in respect of any existing institution which is proposed to be reconstituted. It is not possible to anticipate the expenditure which may be incurred on account of the Tribunal, but on the assumption that the Tribunal is able to finish its work within about six months the expenditure may not be in excess of Rs. 1,50,000.

2. Clause 41(9) of the Bill provides for the appointment of a special auditor by the Central Government to examine and report on the accounts of any subsidiary bank. This is an enabling provision. Normally, it is not expected that any expenditure on this account will be incurred. Even if an auditor is appointed at any time in future in relation to a subsidiary bank, the expenditure involved may be negligible, and is expected to amount to a few thousand rupees only.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Sub-clauses (10) and (11) of clause 38 of the Bill confer upon the Central Government the power to issue certain directions for facilitating the orderly winding up of banking institutions whose business has been acquired by the subsidiary banks under this clause and to dissolve the institutions thereafter. It is contemplated that directions, if any, will be issued only in cases where the residuary institution, after the transfer of its banking business to a subsidiary bank, will have no further functions to discharge. The delegation of power to the Central Government in these circumstances is intended to simplify the somewhat elaborate procedure for winding up, which will otherwise be applicable under the law. It is considered to be reasonable.

2. Sub-clause (1) of clause 62 confers upon the Central Government power to make rules in respect of all minor and subsidiary matters to give effect to the provisions of the Bill. All rules made under this clause are to be laid before the two Houses of Parliament and will be subject to such modifications if any as Parliament may make. The delegation proposed is of the normal type.

M. N. KAUL,
Secretary.

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